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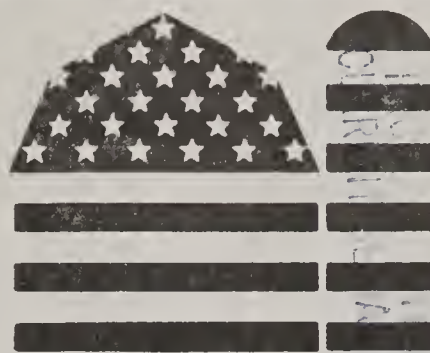
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FARMERS' NEWSLETTER

Soybeans



July 80/S-13

Right after you planted your 1980 crop, soybean prices rallied. Cash prices at Chicago (No. 1 yellow soybeans) jumped from around \$6 per bushel to \$7.80 in mid-July. Here's why:

- Hot, dry weather in the Plains States--from Texas to North Dakota--has stressed crops, livestock, poultry, and pasture conditions.
- Smaller-than-expected soybean crops in Brazil and Argentina have lowered South American competition;
- Canadian flaxseed and rapeseed crop prospects are sharply reduced;
- Domestic and foreign demand continues strong; and
- The 1980/81 U.S. soybean supply should be smaller than earlier anticipated because of a slight cutback in acreage, lower-than-expected carryover prospects, and possible weather damage to the new crop.

All this has led to increased market speculation and renewed interest in farmer-held soybeans. Prices this summer will remain sensitive to new crop developments both here and abroad.

But looking ahead to 1980/81, if U.S. soybean yields are average, the supply/

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* As this letter goes to press, much of the country remains gripped by a severe heat wave that's stressing soybeans in some major producing States, particularly Missouri and Arkansas.

* Right now, there's no measure of how much damage the weather has caused, but a clearer picture will emerge with USDA's August 11 Crop Production report, which will provide the the season's first reading on the size of the 1980 soybean crop.

* Until then, we can alert you to some of the decisionmaking factors that are more certain at this point--such as the smaller-than-expected soybean harvest in South America. This will give you a framework in which to begin planning your marketing strategies as you wait for that vital piece of information--the expected level of U.S. production.

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demand situation may not be as tight as market prices now indicate.

Keep an Eye on Futures

Prices are at the season's high this July, and probably will drop in August if new crop prospects look good. As

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SOYBEAN SUPPLY CONTINUES HIGH

Year beginning September 1	1978/79	1979/80 ¹	1980/81 ²
<i>Million bushels</i>			
Beginning stocks . . .	161	174	380
Production	1,870	2,268	1,875-2,205
Total supply	2,031	2,442	2,255-2,585
Crushings	1,018	1,130	1,060-1,150
Exports	753	850	825- 900
Seed, etc..	86	97	95
Total use	1,857	2,077	1,980-2,145
Ending stocks	174	³ 380	275- 440
<i>Dollars per bushel</i>			
Farm price	6.66	6.19	6.00- 7.50
Loan rate	4.50	4.50	4.50

¹ Estimated. ² Projected. ³ Ending stocks for 1979/80 include a 15-million bushel underestimate of the 1979 crop, as indicated in the June 1 Grain Stocks report.

you know, August is the most critical month for soybeans since the pods are setting and filling. But if August weather is unfavorable, prices may strengthen further. With the recent rally in soybean prices, many of you undoubtedly sold old-crop soybeans, thereby freeing storage space for the fall harvest.

Soybean futures prices for 1980 crop soybeans have jumped sharply this summer. Tight farmer holdings have kept the basis steady so cash prices and futures have moved up together. You may want to consider selling forward part of your 1980 soybean crop if you're satisfied with the new crop prices. The November 1980 CBOT futures closed at \$8.26 per bushel on July 17.

With a record-high carryover of old-crop beans and favorable crop prospects, the 1980/81 soybean supply would be adequate to meet potential demand during the season. If so, soybean prices could tumble during harvest.

Soybean Demand Still Strong

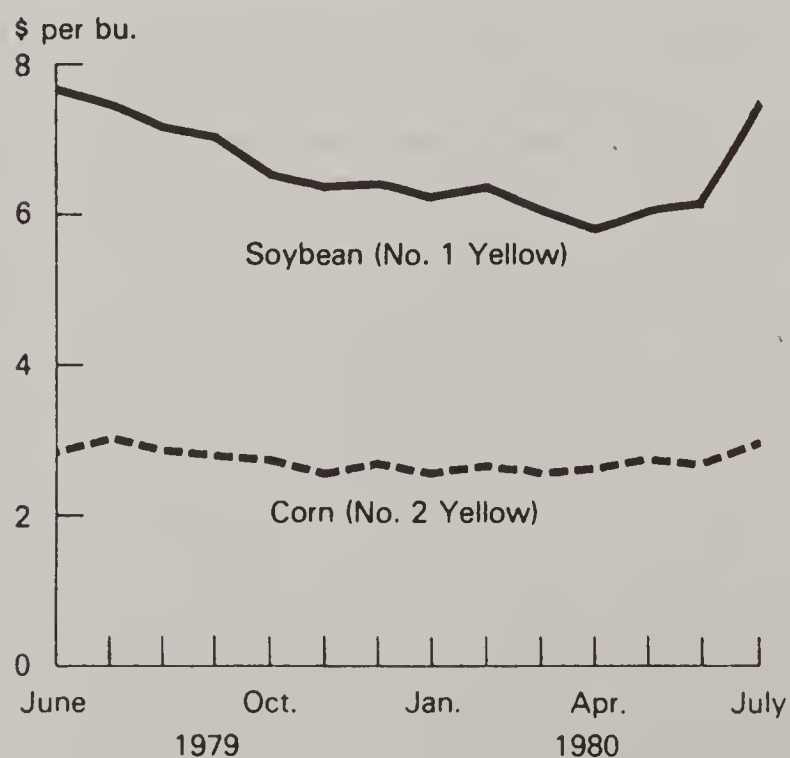
Soybean producers trimmed 1980 plantings, which at 70.3 million acres, were 2 percent below last year's record. Depending on yield, the crop may range from 1.9 to 2.2 billion bushels; 1979 output was 2.27 billion bushels. If the hot, dry weather becomes more widespread, actual production could fall in the lower end of the range.

This year's total soybean supply is at an all-time high--2.44 billion bushels. Total use is expanding 12 percent, leaving carryover stocks on September 1 at an estimated 380 million bushels. Although record high, this is only enough beans to meet 2 months' crush and export demand.

Soybean crushings are currently running 12 percent ahead of last season's rate--stimulated by strong demand for soybean oil and meal--and for all of 1979/80 probably will total around 1,130 million bushels compared with 1,018 million last year.

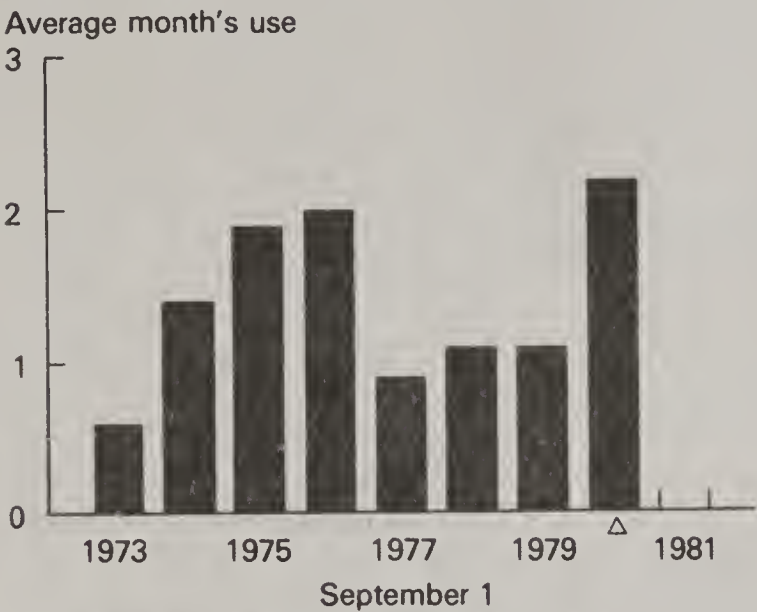
Soybean exports are also running 12 percent ahead of last season, probably totaling around 850 million bushels for the entire 1979/80 marketing year,

SOYBEAN PRICE* RALLY REVERSES YEAR-LONG DOWNTREND



*Cash prices at Chicago

U.S. SOYBEAN CARRYOVER* REACHES NEW HIGH



* Expressed in terms of average month's use of preceding marketing year.
△ Forecast.

about 100 million bushels more than in 1978/79. Soybean exports to China are up sharply this year--to date totaling 854,000 metric tons (31 million bushels). This about offsets the decline in U.S. soybean sales to the USSR due to the export suspension.

1980 Production Costs Rise

Although 1980/81 season prices probably will increase from this year's average \$6.19 per bushel, it's costing you more to produce a bushel of soybeans this year.

The projected cost of production per planted acre is up 21 percent for 1980-crop soybeans. This is on top of last year's 15-percent average increase.

Total soybean cost per bushel in 1979 with land at acquisition value was \$5.30; with land at current value, it was \$6.52. Production costs in 1980 are projected at an average of \$6.50 per bushel with land at acquisition value, and at an average of \$8.15 with land at current value. It's important to remember that these costs are national averages. Your costs will be higher or lower depending on soil type, terrain, field size, yield, and other factors.

Less Acres in Other Oilseeds

This year's total acreage for the five major oilseed crops is placed at about 91 million acres compared with 93.7 million in 1979.

The 1980 sunflower acreage in the four survey States (North Dakota, South Dakota, Minnesota, and Texas), is about 28 percent less than last year's. 1979's large crop far exceeded market demand--leading to a prospective 1-million-ton carryover next fall and 1979/80 farm prices sharply below a year earlier.

The 1980 cottonseed crop should be near last year's 5.8 million short tons and an August 1 carryover of 1 million tons should push cottonseed supplies in 1980/81 higher--assuming favorable weather during the cotton growing and harvesting season. But hot, dry conditions are threatening the major cotton-growing areas in Texas and Oklahoma and could drop output below last year.

Flax acreage is down 23 percent from 1979 reflecting a long-term downtrend

FARMERS PAY MORE TO PRODUCE A BUSHEL OF SOYBEANS

Cost Item Per Bushel	1978 (Final)	1979 (Preliminary)	1980 (Projected)
Variable	\$1.93	\$2.01	\$2.44-2.73
Machinery			
ownership89	.99	1.23-1.38
Overhead26	.26	.30- .33
Management31	.33	.40- .45
Total	3.39	3.59	4.37-4.89
Land at current			
value	2.79	2.93	3.52
Total costs/bushel. . .	6.18	6.52	7.89-8.41
Land at acquisition			
value	1.75	1.71	1.87
Total costs/bushel. . .	5.14	5.30	6.24-6.76
Average renter cost . .	5.33	5.53	6.97
Yield/acre bushels. . .	29.2	31.9	28.3-31.7

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In the demand for flaxseed and products along with increased competition for land from wheat and sunflowers. Depending on yields, a U.S. crop of 9 to 12 million bushels is probable compared with 13-1/2 million bushels last year. So the 1980/81 flaxseed situation is shaping up as one of short supply and higher prices.

Peanut farmers planted 1.5 million acres, about the same as last year. Peanut plantings are under acreage controls, and the national allotment has been held at the legal minimum of 1.6 million acres since 1956. Depending on weather conditions, peanut production

U.S. OILSEED PLANTINGS OFF SLIGHTLY

Oilseed	1979 ¹	1980 ²	Change 1980/79
	Million acres	Percent	
Soybean	71.6	70.3	-1.8
Cottonseed	13.9	14.3	2.9
Sunflower ³	5.6	4.0	-28.2
Peanut	1.5	1.5	-
Flaxseed	1.1	0.8	-22.8
Total	93.7	90.9	-3.0

¹ Preliminary. ² June 1 Acreage report. ³ Four States.

is projected at 1.8 to 2.1 million tons, compared with about 2.0 million in 1979.

World Oilseed Production To Decline

World production of oilseeds in 1980/81 is projected at around 172 million metric tons, way below the record 178-million-ton level of 1979/80. Canadian rapeseed and flaxseed output will both be down by at least 50 percent. South American soybean production, while still a record, is below earlier forecasts.

World exports of oilseed and meals continue strong and are expected to increase slightly through 1980/81. Import demand for soybeans in the PRC has gained rapidly and may reach a record. Brazilian exports will expand primarily during the first half of 1980/81.

WORLD OILSEED PRODUCTION DECLINING

Oilseed Crop	1978/79	1979/80 ¹	1980/81 ²
	Million metric tons		
Soybean	77.9	94.4	89
Cottonseed	23.8	25.6	26
Peanut	18.3	18.3	19
Sunflower	12.8	15.4	15
Rapeseed	10.8	10.5	10
Other ³	12.3	13.6	13
World Total	155.9	177.6	172
Soybeans' share (%)	50	53	52

¹ Preliminary. ² Projected. ³ Includes sesame, safflower, flaxseed, castor, copra, and palm kernels.